

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00
AGRE-00 CEA-01 COME-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 OIC-02
AF-10 ARA-10 NEA-11 /153 W
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FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 0908

INFO AMEMBASSY LONDON

AMEMBASSY TOKYO

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USMTN

PASS ELECTRONICALLY STR (STARKEY) AND USDA (OYLOE)
STR PASS CODEL
LONDON PASS SAYLOR

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TAGS: ETRD, MTN, JA

SUBJECT: JAPAN'S IMPROVED AGRICULTURAL OFFERS

1. SUMMARY: JAPANESE GAVE US THEIR IMPROVED OFFERS ON
AGRICULTURAL PRODUCTS, INCLUDING WOOD AND ALCOHOLIC
BEVERAGES JUNE 15. JAPANESE NOT READY TO SPECIFY WHAT, IF
ANYTHING, THEY ARE PREPARED TO DO ON CITRUS AND BEEF.
JAPAN EXPECTS U.S. TO OBTAIN SOME ADDITIONAL BENEFITS
FROM OFFERS THEY WILL BE MAKING TO PRINCIPAL SUPPLIERS OF
OTHER AG ITEMS OVER COMING WEEKS. THEY URGED JAPANESE
IMPROVEMENTS BE KEPT STRICTLY CONFIDENTIAL AT THIS STAGE
AND NOT REVEALED TO OTHER MTN PARTICIPANTS. THEY URGED
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POSITIVE U.S. RESPONSE TO JAPAN'S REQUEST FOR IMPROVED
U.S. AG OFFERS. THEY DECLINED OUR SUGGESTION FOR LINE-
BY-LINE REVIEW JUNE 16, PREFERRING TO AWAIT "MORE CONSIDER-
ED" USG REACTION WHEN IT HAS HAD TIME TO ANALYZE JAPANESE
IMPROVEMENTS, ANTICIPATING HOWEVER THIS SHOULD BE POSSIBLE
AT LEAST ON A PRELIMINARY BASIS DURING THE STRAUSS/USHIBA
MEETINGS IN WASHINGTON JUNE 19-20. END SUMMARY.

2. TEAM OF JAPANESE OFFICIALS, LED BY MAF DG SHIMURA PLUS KAIHARA FROM MOF (LATTER PRIMARILY FOR COVERAGE OF ALCOHOLIC BEVERAGE ITEMS), MET WITH CULBERT AND KOENIG JUNE 15. THEY HANDED OVER DOCUMENTS ON JAPAN'S IMPROVED OFFERS ON AGRICULTURAL PRODUCTS CONSISTING OF A COVER NOTE, LIST OF PRODUCTS AND IMPROVED OFFERS, AND STATISTICAL "EXPLANATORY NOTE". COPY OF THESE DOCUMENTS BEING HAND-CARRIED TO STR-WASHINGTON JUNE 16 BY JOHN GREENWALD FOR DELIVERY TO BARREDA.

3. SPECIFIC IMPROVEMENTS IN JAPAN'S OFFERS CONTAINED IN NEXT FOLLOWING TELEGRAM. COVER NOTE STATES THE LIST REPRESENTS "THE ULTIMATE RESULT OF THE MAXIMUM EFFORTS" BY JAPAN; REQUESTS U.S. TO RECIPROCATATE THIS EFFORT BY PRESENTING ADDITIONAL U.S. OFFERS ASAP; NOTE SAYS OFFERS SUBMITTED ON UNDERSTANDING MAJOR PARTIES WILL MAKE COMPARABLE EFFORTS AND JAPAN RESERVES RIGHT TO WITHDRAW THESE OFFERS IN LIGHT OVERALL RECIPROCITY.

4. EXPLANATORY NOTE COMPARES NUMBER OF 7-DIGIT ITEMS AND TRADE VALUE OF IMPORTS FROM U.S., WHICH SHOWS 13 NEW AG OFFERS (IMPORTS FROM U.S. \$7 MILLION), 7 ITEMS WITH DEEPER CUTS THAN ON INITIAL OFFER (IMPORTS FROM U.S. \$11 MILLION), PLUS OFFERS ON ALCOHOLIC BEVERAGES (BOTH INITIAL AND ADDITIONAL) COVERING 4 ITEMS WITH IMPORTS LIMITED OFFICIAL USE

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FROM U.S. \$3.3 MILLION. TOTAL OFFERS RESPONDING DIRECTLY TO U.S. REQUESTS (BOTH INITIAL AND IMPROVED OFFERS COMBINED) COVER 42 ITEMS WITH IMPORTS FROM U.S. OF \$60 MILLION PLUS ALCOHOLIC BEVERAGE COVERAGE NOTED ABOVE. EXPLANATORY NOTE HAS ADDITIONAL COLUMN NOTING TRADE BENEFIT TO U.S. OF \$99 MILLION ON 33 ITEMS ON JAPAN'S INITIAL OFFER, WHICH WERE NOT REQUESTED BY U.S., PLUS GREEK SYMBOLS ALPHA, BETA, ETC. INDICATING POSSIBILITY OF SOME ADDITIONAL TRADE BENEFIT TO U.S. AS A RESULT OF POSITIVE JAPANESE OFFERS TO PRINCIPAL SUPPLIERS WHICH GOJ TEAM COULD NOT QUANTIFY UNTIL THESE OFFERS ARE FINALIZED.

5. SHIMURA NOTED IMPROVED GOJ OFFER DOES NOT REFER TO CITRUS OR BEEF WHICH HE WISHED TO "EXPLAIN AND DISCUSS".

(A) CONCERNING BEEF, HE NOTED GOJ INTENTION TO HAVE INTENSIVE BILATERAL WITH PRINCIPAL SUPPLIER AUSTRALIA TOWARD END OF JUNE AND OUTCOME OF THOSE DISCUSSIONS WOULD AFFECT RESPONSE JAPAN WOULD MAKE TO U.S. BEEF REQUEST. SHIMURA SAID HOTEL QUOTA FOR HIGH-QUALITY BEEF WAS ESTABLISHED IN 1971 TO ENABLE U.S. TO GET A FOOTHOLD IN JAPANESE MARKET AND THIS "EXCEPTIONAL" QUOTA HAS NOW "FINISHED

ITS HISTORIC ROLE" AND SHOULD BE ABOLISHED WITHIN GENERAL BEEF QUOTA. HE WAS AGAINST EXPANSION AND EXTENSION OF THIS QUOTA TO RESTAURANTS. HE ASSURED US JAPAN'S BEEF IMPORT COMMITMENT IN STRAUSS/USHIBA JANUARY COMMUNIQUE WOULD, OF COURSE, BE RESPECTED BUT THIS SHOULD BE CREDITED IN MTN. WHEN WE QUERIED IF JAPAN INTENDED TO BIND THE STRAUSS/USHIBA BEEF COMMITMENT IN MTN ON MULTI-YEAR BASIS, SHIMURA AND HIS COLLEAGUES CONSULTED AMONG THEMSELVES AND SAID THEY WOULD TAKE NOTE OF THE INQUIRY AND WOULD HAVE TO REFLECT ON IT, BUT EXPRESSED CONFIDENCE THAT DEMAND IN JAPAN FOR HIGH-QUALITY BEEF WILL CONTINUE TO GROW OVER COMING YEARS AND MAF HAS NO POLICY INTENTION OF REDUCING ANNUAL IMPORTS OF HIGH-QUALITY BEEF BELOW LEVELS OF STRAUSS/USHIBA COMMITMENT. WE NOTED U.S. REQUEST LIMITED OFFICIAL USE

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TO SECSTATE WASHDC IMMEDIATE 0909

INFO AMEMBASSY LONDON

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PASS ELECTRONICALLY STR (STARKEY) AND USDA (OYLOE); STR PASS CODEL
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ON BEEF AS A RELATIVELY INSIGNIFICANT QUANTITY AND WERE OPEN TO SUGGESTIONS FROM JAPANESE SIDE HOW WE COULD OBTAIN OPPORTUNITY TO COMPETE FOR A LARGER SHARE OF JAPANESE MARKET IF EXPANSION OF A QUOTA EARMARKED FOR HOTELS OR EXTENDED TO RESTAURANTS POSED PARTICULAR DIFFICULTIES FOR JAPAN. SHIMURA BEGGED OFF, NOTING INTENSIVE STUDY WITHIN JAPAN OF WHAT COULD BE DONE TO MAINTAIN INCOME OF DOMESTIC PRODUCERS, ESPECIALLY LOW-QUALITY DAIRY HERDS. SHIMURA WAS NOT WILLING TO PURSUE U.S. BEEF REQUEST IN ANY DETAIL, STRESSING IMPORTANCE OF JAPAN FIRST REACHING AN UNDERSTANDING WITH PRINCIPAL SUPPLIER AUSTRALIA, AFTER WHICH JAPAN WOULD BE BACK IN TOUCH WITH U.S.

(B) CITRUS. SHIMURA DESCRIBED THIS AS "THE HARDEST LIMITED OFFICIAL USE

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OF THE HARD CORE" AND SAID HE WAS SIMPLY NOT IN A POSITION AT THIS TIME TO INDICATE WHAT, IF ANYTHING, JAPAN COULD DO IN RESPONSE TO U.S. REQUESTS. HE THEN GAVE LENGTHY EXPOSE OF ECONOMIC AND POLITICAL DIFFICULTIES FACING JAPANESE DUE TO OVER-PRODUCTION, DECLINING ACREAGE, DIVERSION TO PROCESSING BUT PARTLY UNSALEABLE WITH STOCK BUILD-UP, ETC. WE RESPONDED WITH COMMENTARY ON TINY PENETRATION RATIO OF U.S. FRESH ORANGES AND POLITICAL IMPORTANCE OF IMPROVED ACCESS. A BRIEF DISCUSSION OF RELATIONSHIP BETWEEN STRAUSS/USHIBA COMMITMENT ON CITRUS AND MTN CREDIT PRODUCED SAME COMMENT AS WITH BEEF ABOVE. SHIMURA WAS CLEARLY NOT AUTHORIZED TO NEGOTIATE ABOUT CITRUS AND APPEARED TO BE ALMOST RELIEVED THAT THIS WAS A "POLITICAL ITEM" BECAUSE OFFICIAL LEVELS COULD NOT BRING THEMSELVES TO RECOMMEND OR OFFER IMPROVEMENT; HE CLEARLY SIGNALLED THAT IT WOULD BE MUCH MORE DIFFICULT FOR JAPAN TO ACCOMMODATE U.S. CITRUS REQUEST THAN OUR BEEF REQUEST.

6. WE DID NOT COMMENT ON ANY SPECIFIC ITEMS ON JAPANESE IMPROVED OFFER PENDING OPPORTUNITY TO STUDY IN RELATION TO U.S. REQUESTS (OTHER THAN EXPRESSING BOTH SURPRISE AND DISAPPOINTMENT THAT JAPAN'S OFFER ON WOOD PRODUCTS CONSISTS OF ONLY A SINGLE 7-DIGIT ITEM OUT OF OUR LENGTHY REQUEST).

7. WE INQUIRED IF SHIMURA AND HIS COLLEAGUES CONSIDERED IT USEFUL TO HAVE AN ITEM-BY-ITEM DISCUSSION JUNE 16. SHIMURA DECLINED, PREFERRING THAT WE TAKE MORE TIME TO ANALYZE JAPAN'S OFFER. HE ALSO STRESSED POINT IN THEIR COVER NOTE THAT THIS OFFER (OTHER THAN BEEF AND CITRUS) REPRESENTED JAPAN'S "MAXIMUM EFFORT".

8. WE TOOK ADVANTAGE OF KAIHARA'S PRESENCE TO EXPRESS

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CONCERN OVER ARRAY OF RESTRICTIVE DEVICES BY JAPAN TOBACCO MONOPOLY WHICH, IN COMBINATION, SEVERELY RESTRICTS U.S. CIGARETTE SALES IN JAPAN. WE SAID JAPAN TOBACCO MONOPOLY POLICY, RESERVING 98.5 PERCENT OF JAPANESE CIGARETTE CONSUMPTION TO DOMESTIC PRODUCERS AND THE ARRAY OF DEVICES USED TO ENFORCE IT, WAS AN UNJUSTIFIABLE TRADE BARRIER; ABSENCE OF ANY JAPANESE OFFER TO LIBERALIZE THIS REGIME MIGHT GIVE U.S. NO OPTION BUT TO INITIATE GATT PROCEEDINGS FOR VIOLATION OF GATT ARTICLE 17. KAIHARA CLAIMED UNFAMILIARITY WITH DETAILS OF JAPAN TOBACCO MONOPOLY, BUT ONE OF HIS COLLEAGUES GAVE HIM A STATISTICAL BROCHURE INDICATING 7 PERCENT INCREASE IN FOREIGN CIGARETTE IMPORTS DURING A RECENT 8-MONTH PERIOD IN COMPARISON WITH ONLY 4 PERCENT INCREASE IN DOMESTIC CONSUMPTION; FOREIGN OFFICE REP (ENDO) OFFERED VIGOROUS BUT UNCONVINCING DEFENSE OF NON-DISCRIMINATORY CIGARETTE IMPORT PRACTICE.

9. MTN DEL COMMENTS ON JAPANESE IMPROVED OFFERS WILL FOLLOW ASAP.

10. DRAFTED BY CULBERT. MCDONALD

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